

VILLAGE OF MUIR
Ionia County, Michigan

Comprehensive Annual Financial Report

For the year ended June 30, 2007

VILLAGE OF MUIR
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For the year ended June 30, 2007

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FINANCIAL SECTION

Hungerford, Aldrin,
Nichols & Carter, P.C.

CPAs AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

September 24, 2007

The Village Council
Village of Muir
Muir, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Muir (the "Village") as of and for the year ended June 30, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the elected officials and management of the Village. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information as of June 30, 2007, and the respective changes in financial position and cash flows of its proprietary fund types and budgetary comparisons for the General and Special Revenue Funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Village of Muir. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

VILLAGE OF MUIR
Management's Discussion and Analysis
June 30, 2007

As management of the Village of Muir (“the Village”), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the Village for the year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with the Village’s financial statements, which immediately follow this section.

Financial Highlights

- The Village’s net assets increased by \$304,144 (or 14.7 percent).
- Total expenses of the Village’s programs were \$712,719.
- Total revenues, including all program and general revenues, were \$1,016,863.
- At the close of the current year, the Village’s governmental funds reported combined ending fund balances of \$335,076, a decrease of \$34,110 from the prior year.
- At the end of the current year, the unreserved/undesignated fund balance for the General Fund was \$313,730, or 89 percent of total General Fund expenditures.
- The Village’s Sewer Enterprise Fund had \$1,075,332 in net assets at year-end.
- The Village’s Water Enterprise Fund had \$686,399 in net assets at year-end.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village’s basic financial statements. The Village’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Village’s finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Village’s assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The Statement of Activities presents information showing how the Village’s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. uncollected property taxes and earned but uncollected sewer and water usage fees and special assessments).

VILLAGE OF MUIR
Management's Discussion and Analysis
June 30, 2007

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government, public safety, roads and parks. The business-type activities of the Village are the Sewer Enterprise Fund and the Water Enterprise Fund.

The government-wide financial statements can be found on pages 11-13 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

All of the funds of the Village can be divided into two categories: governmental funds and proprietary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village maintains three individual governmental funds. Information is presented separately in the governmental funds balance sheet and statement of revenues, expenditures and changes in fund balances for the General Fund and Major Street Fund, each of which are considered to be major funds. Data from the Local Street Fund is presented as other governmental. The basic governmental fund financial statements can be found on pages 14-20 of this report.

The Village adopts an annual appropriated budget for its General Fund, Major Street Fund and Local Street Fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget.

Proprietary funds are used to report the same functions presented as business-type activity in the government-wide financial statements. The Village maintains the Sewer Enterprise Fund to account for its sanitary sewer usage operation and maintenance and the Water Enterprise Fund to account for its water usage operation and maintenance. The basic proprietary fund financial statements can be found on pages 21-24 of this report.

Notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 25-39 of this report.

VILLAGE OF MUIR
Management's Discussion and Analysis
June 30, 2007

Government –Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Village of Muir, assets exceeded liabilities by \$2,369,257 at the close of the fiscal year.

A substantial portion of the Village's net assets, \$1,393,066 (59 percent), reflects its investment in capital assets (e.g. land, land improvements, buildings, sewer system), less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Statement of Net Assets provides financial information on the Village as a whole as of June 30, 2007.

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current assets	\$364,408	\$373,694	\$525,213	\$568,364	\$889,621	\$942,058
Note receivable	-	-	124,519	140,617	124,519	140,617
Capital assets	272,450	269,108	2,751,595	2,478,895	3,024,045	2,748,003
Total assets	636,858	642,802	3,401,327	3,187,876	4,038,185	3,830,678
Current liabilities	29,332	4,508	98,617	130,078	127,949	134,586
Long-term liabilities	-	-	1,540,979	1,630,979	1,540,979	1,630,979
Total liabilities	29,332	4,508	1,639,596	1,761,057	1,668,928	1,765,565
Net assets:						
Invested in capital assets, net						
of related debt	272,450	269,108	1,120,616	757,916	1,393,066	1,027,024
Restricted	21,346	36,769	228,860	278,880	250,206	315,649
Unrestricted	313,730	332,417	412,255	390,023	725,985	722,440
Total net assets	\$607,526	\$638,294	\$1,761,731	\$1,426,819	\$2,369,257	\$2,065,113

A portion of the Village's net assets, \$250,206 (10.6 percent) represents resources that are subject to external restrictions on how they may be used. The Village may use the remaining balance of unrestricted net assets of \$725,985 (30.6 percent) to meet its ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Village is able to report positive balances in all three categories of net assets, both for the government as a whole, and for its separate governmental and business-type activities.

VILLAGE OF MUIR
Management's Discussion and Analysis
June 30, 2007

The Statement of Activities presents changes in net assets from operating results for the year ended June 30, 2007:

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006*</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006*</u>
Revenue:						
Program revenue:						
Charges for services	\$4,320	\$10,428	\$256,799	\$270,680	\$261,119	\$281,108
General revenue:						
Property taxes	125,362	120,945	-	-	125,362	120,945
State/intergovernmental revenue	254,282	371,582	330,252	212,145	584,534	583,727
Interest earnings	12,656	5,045	20,792	14,167	33,448	19,212
Other	12,400	7,479	-	24,403	12,400	31,882
Total revenue	<u>\$409,020</u>	<u>\$515,479</u>	<u>\$607,843</u>	<u>\$521,395</u>	<u>\$1,016,863</u>	<u>\$1,036,874</u>
Expenses:						
General government	\$317,627	\$380,322	-	-	\$317,627	\$380,322
Public safety	17,768	18,628	-	-	17,768	18,628
Public works	85,997	148,105	-	-	85,997	148,105
Recreation and cultural	3,675	4,498	-	-	3,675	4,498
Other village	14,721	15,575	-	-	14,721	15,575
Sewer operations	-	-	\$101,235	\$96,827	101,235	96,827
Water operations	-	-	171,696	177,967	171,696	177,967
Total expenses	<u>439,788</u>	<u>567,128</u>	<u>272,931</u>	<u>274,794</u>	<u>712,719</u>	<u>841,922</u>
Increase (decrease) in net assets	(30,768)	(51,649)	334,912	246,601	304,144	194,952
Net assets - beginning of year	<u>638,294</u>	<u>689,943</u>	<u>1,426,819</u>	<u>1,180,218</u>	<u>2,065,113</u>	<u>1,870,161</u>
Net assets - end of year	<u>\$607,526</u>	<u>\$638,294</u>	<u>\$1,761,731</u>	<u>\$1,426,819</u>	<u>\$2,369,257</u>	<u>\$2,065,113</u>

Governmental activities decreased the Village's net assets by \$30,768. This decrease was due to an increase in expenses for major and local street in excess of budget.

Business-type activities increased the Village's net assets by \$334,912 due to the receipt of State grants to fund Sewer system improvements.

* The 2006 comparative amounts for governmental activities report a sixteen-month period from March 1, 2005 to June 30, 2006; due to a change in the fiscal year of the governmental funds in 2006. The business-type activities for 2006 were reported for a twelve-month period.

VILLAGE OF MUIR
Management's Discussion and Analysis
June 30, 2007

Financial Analysis of the Village's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$335,076, a decrease of \$34,110 in comparison with the prior year. 94 percent of this total amount constitutes unreserved fund balance, which is available for spending at the Village's discretion.

Village of Muir's funds are described as follows:

Major Funds

The *General Fund* is our primary operating fund. The General Fund had total revenues of \$331,947 and total expenditures of \$350,634. It ended the year with a fund balance of \$313,730, down from \$332,417 at June 30, 2006.

The *Major Streets Fund* accounts for major street operating activities. The Fund had total revenues of \$50,196 and total expenditures of \$47,453. It ended the year with a fund balance of \$20,162, up from \$17,419 at June 30, 2006.

Nonmajor Funds

The *Local Streets Fund* accounts for local street operating activities. The fund had total revenues of \$26,877 and total expenditures of \$45,043. It ended the year with a fund balance of \$1,184, down from \$19,350 at June 30, 2006.

Proprietary Funds. The Village's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. The Sewer Enterprise Fund had total revenues of \$368,046, total expenses of \$101,235, and an increase in net assets of \$266,811 from June 30, 2006. The Water Enterprise Fund had total revenues of \$239,797, total expenses of \$171,696, and an increase in net assets of \$68,101 from June 30, 2006. Other factors concerning the finances of these funds have already been addressed in the discussion of the Village's business-type activities.

General Fund Budgetary Highlights

The General Fund budget was not amended during the year.

VILLAGE OF MUIR
Management's Discussion and Analysis
June 30, 2007

Capital Asset and Debt Administration

Capital Assets

At June 30, 2007, the Village had a \$4,426,590 investment in a broad range of capital assets, including land, land improvements and buildings and improvements. (More detailed information about capital assets can be found in the Notes to Basic Financial Statements.)

Capital asset purchases totaled \$398,969 for the year with accumulated depreciation increasing \$122,927. The net book value of capital assets at June 30, 2007 is detailed as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 25,750	\$ 58,500	\$ 84,250
Buildings and improvements	25,755	—	25,755
Sewer and water systems	—	2,693,095	2,693,095
Machinery and equipment	198,373	—	198,373
Office equipment and furniture	3,512	—	3,512
Infrastructure	19,060		19,060
	<hr/>	<hr/>	<hr/>
Net Capital Assets	<u><u>\$ 272,450</u></u>	<u><u>\$ 2,751,595</u></u>	<u><u>\$ 3,024,045</u></u>

Long-Term Debt

At year end, the Village had \$1,630,979 in revenue bonds outstanding. Prior year debt balances were reduced by payments of \$90,000 during the current year. There is more detailed information about long-term liabilities in the Notes to Basic Financial Statements.

Factors Bearing on the Village's Future

At the time these financial statements were prepared and audited, the Village was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The Village's initial General Fund budget for 2007-08 anticipates an increase in year end fund balance of \$290. This estimate reflects a continuing effort to control/reduce costs within the Village, while continuing to maintain a high quality of taxpayer service.

Contacting the Village's Financial Management

This financial report is designed to provide the Village's citizens, taxpayers, customers, and investors and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Laura Stewart, Village Clerk, Village of Muir, PO Box 205, Muir, MI, 48860-0205.

BASIC FINANCIAL STATEMENTS

VILLAGE OF MUIR
Statement of Net Assets
June 30, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets			
Cash equivalents, deposits and investments (Note B)	\$ 325,932	\$ 247,119	\$ 573,051
Accounts receivable	-	33,136	33,136
Due from other funds (Note C)	7,281		7,281
Due from other governmental units	31,195		31,195
Current maturities of note receivable	-	16,098	16,098
Restricted assets:			
Cash equivalents, deposits and investments (Note B)	-	228,860	228,860
Total Current Assets	<u>364,408</u>	<u>525,213</u>	<u>889,621</u>
Noncurrent Assets			
Note receivable from Village of Lyons, net of current portion	-	124,519	124,519
Capital assets, net of accumulated depreciation (Note D)	272,450	2,751,595	3,024,045
Total Noncurrent Assets	<u>272,450</u>	<u>2,876,114</u>	<u>3,148,564</u>
Total Assets	<u>636,858</u>	<u>3,401,327</u>	<u>4,038,185</u>
Liabilities			
Current Liabilities			
Accounts payable	29,121		29,121
Payroll withholdings	211		211
Due to other funds (Note C)	-	7,281	7,281
Due to other governmental units	-	1,336	1,336
Current portion of noncurrent liabilities	-	90,000	90,000
Total Current Liabilities	<u>29,332</u>	<u>98,617</u>	<u>127,949</u>
Noncurrent Liabilities (Note E)			
Revenue bonds payable	-	1,630,979	1,630,979
Less current portion of noncurrent liabilities	-	(90,000)	(90,000)
Total Noncurrent Liabilities	<u>-</u>	<u>1,540,979</u>	<u>1,540,979</u>
Total Liabilities	<u>29,332</u>	<u>1,639,596</u>	<u>1,668,928</u>
Net Assets			
Invested in capital assets, net of related debt	272,450	1,120,616	1,393,066
Restricted for:			
Water and sewer		228,860	228,860
Major streets	20,162	-	20,162
Local streets	1,184	-	1,184
Unrestricted	313,730	412,255	725,985
Total Net Assets	<u>\$ 607,526</u>	<u>\$ 1,761,731</u>	<u>\$ 2,369,257</u>

See accompanying notes to basic financial statements.

VILLAGE OF MUIR
Statement of Activities
For the year ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 317,627	\$ 4,320	\$ -	\$ -
Public safety	17,768	-	-	-
Public works	85,997	-	51,024	-
Recreation and cultural	3,675	-	-	-
Other	14,721	-	-	-
Total governmental activities	439,788	4,320	51,024	-
Business-type activities:				
Sewer	101,235	35,887	-	258,075
Water	171,696	220,912	-	7,655
Total business-type activities	272,931	256,799	-	265,730
Total Primary Government	\$ 712,719	\$ 261,119	\$ 51,024	\$ 265,730

General revenues:
Property taxes levied for:
 General operations
State revenue sharing
Reimbursement revenue
Unrestricted investment earnings
Other revenues

Total General Revenues

Change in Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (313,307)	\$ -	\$ (313,307)
(17,768)	-	(17,768)
(34,973)	-	(34,973)
(3,675)	-	(3,675)
(14,721)	-	(14,721)
(384,444)	-	(384,444)
-	192,727	192,727
-	56,871	56,871
-	249,598	249,598
(384,444)	249,598	(134,846)
125,362	-	125,362
71,782	-	71,782
131,476	64,522	195,998
12,656	20,792	33,448
12,400	-	12,400
353,676	85,314	438,990
(30,768)	334,912	304,144
638,294	1,426,819	2,065,113
<u>\$ 607,526</u>	<u>\$ 1,761,731</u>	<u>\$ 2,369,257</u>

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VILLAGE OF MUIR
Balance Sheet
Governmental Funds
June 30, 2007

	General	Special Revenue Major Streets	Other Governmental Local Streets	Total
Assets				
Cash equivalents, deposits and investments (Note B)	\$ 287,739	\$ 19,994	\$ 18,199	\$ 325,932
Due from other governmental units	22,817	6,010	2,368	31,195
Due from other funds (Note C)	7,281	-	-	7,281
Total Assets	<u>\$ 317,837</u>	<u>\$ 26,004</u>	<u>\$ 20,567</u>	<u>\$ 364,408</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 3,896	\$ 5,842	\$ 19,383	\$ 29,121
Payroll withholdings	211			211
Total Liabilities	<u>4,107</u>	<u>5,842</u>	<u>19,383</u>	<u>29,332</u>
Fund Balances				
Unreserved:				
Designated, reported in:				
Special revenue funds	-	20,162	1,184	21,346
Undesignated	313,730	-	-	313,730
Total Fund Balances	<u>313,730</u>	<u>20,162</u>	<u>1,184</u>	<u>335,076</u>
Total Liabilities and Fund Balances	<u>\$ 317,837</u>	<u>\$ 26,004</u>	<u>\$ 20,567</u>	<u>\$ 364,408</u>

See accompanying notes to basic financial statements.

VILLAGE OF MUIR
Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
For the year ended June 30, 2007

Total Governmental Fund Balances	\$ 335,076
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Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported as assets in
governmental funds. The cost of assets is \$465,783
and accumulated depreciation is \$193,333

272,450

Total net assets - governmental activities

\$ 607,526

See accompanying notes to basic financial statements.

VILLAGE OF MUIR
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2007

	General	Special Revenue Major Streets	Other Governmental Local Streets	Total
Revenues				
Taxes	\$ 101,140	\$ 12,111	\$ 12,111	\$ 125,362
State sources	71,782	36,605	14,419	122,806
Intergovernmental sources	131,476	-	-	131,476
Charges for services	4,320	-	-	4,320
Interest	11,961	348	347	12,656
Other	11,268	1,132		12,400
Total Revenues	331,947	50,196	26,877	409,020
Expenditures				
Current:				
General government	314,470	-	-	314,470
Public safety	17,768	-	-	17,768
Public works	-	47,453	45,043	92,496
Recreation and cultural	3,675	-	-	3,675
Other	14,721	-	-	14,721
Total Expenditures	350,634	47,453	45,043	443,130
Net Change in Fund Balances	(18,687)	2,743	(18,166)	(34,110)
Fund Balances, July 1, 2006	332,417	17,419	19,350	369,186
Fund Balances, June 30, 2007	\$ 313,730	\$ 20,162	\$ 1,184	\$ 335,076

See accompanying notes to basic financial statements.

VILLAGE OF MUIR
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the year ended June 30, 2007

Net change in fund balances - total governmental funds \$ (34,110)

Amounts reported for governmental activities in the Statement
of Activities are different because:

Governmental funds report capital outlays as expenditures. However,
in the Statement of Activities, the cost of these assets is capitalized and
the cost is allocated over their estimated useful lives as depreciation
expense. This is the amount by which capital outlays exceeded
depreciation in the current period.

Capital outlays	\$	19,383	
Depreciation expense		(16,041)	3,342

Total change in net assets - governmental activities \$ (30,768)

See accompanying notes to basic financial statements.

VILLAGE OF MUIR
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance With Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 93,000	\$ 93,000	\$ 101,140	\$ 8,140
State sources	73,000	73,000	71,782	(1,218)
Intergovernmental sources	126,000	126,000	131,476	5,476
Charges for services	5,000	5,000	4,320	(680)
Interest	2,500	2,500	11,961	9,461
Other revenue	25,000	25,000	11,268	(13,732)
Total Revenues	<u>324,500</u>	<u>324,500</u>	<u>331,947</u>	<u>7,447</u>
Expenditures				
Current:				
General government	288,950	288,950	314,470	(25,520)
Public safety	14,500	14,500	17,768	(3,268)
Recreation and cultural	5,000	5,000	3,675	1,325
Other	14,500	14,500	14,721	(221)
Total Expenditures	<u>322,950</u>	<u>322,950</u>	<u>350,634</u>	<u>(27,684)</u>
Net Change in Fund Balances	1,550	1,550	(18,687)	(20,237)
Fund Balances, July 1, 2006	<u>332,417</u>	<u>332,417</u>	<u>332,417</u>	<u>-</u>
Fund Balances, June 30, 2007	<u>\$ 333,967</u>	<u>\$ 333,967</u>	<u>\$ 313,730</u>	<u>\$ (20,237)</u>

See accompanying notes to basic financial statements.

VILLAGE OF MUIR
Major Streets Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2007

	<u>Budget</u>	<u>Actual</u>	Variance With Final Budget - Favorable (Unfavorable)
Revenues			
Taxes	\$ 11,000	\$ 12,111	\$ 1,111
State sources	35,000	36,605	1,605
Interest	-	348	348
Other revenue	1,000	1,132	132
	<u>47,000</u>	<u>50,196</u>	<u>3,196</u>
Total Revenues			
Expenditures			
Current:			
Public works	38,400	47,453	(9,053)
	<u>8,600</u>	<u>2,743</u>	<u>(5,857)</u>
Net Change in Fund Balances			
	8,600	2,743	(5,857)
Fund Balances, July 1, 2006	<u>17,419</u>	<u>17,419</u>	<u>-</u>
Fund Balances, June 30, 2007	<u><u>\$ 26,019</u></u>	<u><u>\$ 20,162</u></u>	<u><u>\$ (5,857)</u></u>

See accompanying notes to basic financial statements.

VILLAGE OF MUIR
Local Streets Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2007

	<u>Budget</u>	<u>Actual</u>	Variance With Final Budget - Favorable (Unfavorable)
Revenues			
Taxes	\$ 11,000	\$ 12,111	\$ 1,111
State sources	13,000	14,419	1,419
Interest		347	347
Other revenue	1,000		(1,000)
	<u>25,000</u>	<u>26,877</u>	<u>1,877</u>
Expenditures			
Current:			
Public works	22,200	45,043	(22,843)
	<u>2,800</u>	(18,166)	(20,966)
Net Change in Fund Balances			
	2,800	(18,166)	(20,966)
Fund Balances, July 1, 2006	<u>19,350</u>	<u>19,350</u>	<u>-</u>
Fund Balances, June 30, 2007	<u><u>\$ 22,150</u></u>	<u><u>\$ 1,184</u></u>	<u><u>\$ (20,966)</u></u>

See accompanying notes to basic financial statements.

VILLAGE OF MUIR
Statement of Net Assets
Proprietary Funds
June 30, 2007

	Sewer	Water	Totals
Assets			
Current Assets			
Cash equivalents, deposits and investments (Note B)	\$ 220,459	\$ 26,660	\$ 247,119
Accounts receivable	4,610	28,526	33,136
Current maturities of note receivable	-	16,098	16,098
Restricted assets:			
Cash equivalents, deposits and investments (Note B)	48,528	180,332	228,860
Total Current Assets	<u>273,597</u>	<u>251,616</u>	<u>525,213</u>
Noncurrent Assets			
Note receivable from Village of Lyons, net of current portion	-	124,519	124,519
Property, plant and equipment, net of accumulated depreciation (Note D)	803,071	1,948,524	2,751,595
Total Noncurrent Assets	<u>803,071</u>	<u>2,073,043</u>	<u>2,876,114</u>
Total Assets	<u>1,076,668</u>	<u>2,324,659</u>	<u>3,401,327</u>
Liabilities			
Current Liabilities			
Due to other funds (Note C)	-	7,281	7,281
Due to other governmental units	1,336	-	1,336
Current portion of noncurrent liabilities	-	90,000	90,000
Total Current Liabilities	<u>1,336</u>	<u>97,281</u>	<u>98,617</u>
Noncurrent Liabilities (Note E)			
Revenue bonds payable, net of current portion	-	1,540,979	1,540,979
Total Noncurrent Liabilities	<u>-</u>	<u>1,540,979</u>	<u>1,540,979</u>
Total Liabilities	<u>1,336</u>	<u>1,638,260</u>	<u>1,639,596</u>
Net Assets			
Invested in capital assets, net of related debt	803,071	317,545	1,120,616
Restricted	48,528	180,332	228,860
Unrestricted	223,733	188,522	412,255
Total Net Assets	<u>\$ 1,075,332</u>	<u>\$ 686,399</u>	<u>\$ 1,761,731</u>

See accompanying notes to basic financial statements.

VILLAGE OF MUIR
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the year ended June 30, 2007

	Sewer	Water	Total
Operating Revenues			
Water sales	\$ -	\$ 212,963	\$ 212,963
Sewage disposal services	34,339	-	34,339
Hydrant rental	-	6,000	6,000
State grants	258,075	7,655	265,730
Reimbursement revenue	64,522	-	64,522
Other revenue	1,548	1,949	3,497
Total Operating Revenues	<u>358,484</u>	<u>228,567</u>	<u>587,051</u>
Operating Expenses			
Plant operations and maintenance	52,526	70,495	123,021
Depreciation	48,709	58,177	106,886
Total Operating Expenses	<u>101,235</u>	<u>128,672</u>	<u>229,907</u>
Operating Income	<u>257,249</u>	<u>99,895</u>	<u>357,144</u>
Nonoperating Revenues (Expenses)			
Interest income	9,562	11,230	20,792
Interest expense	-	(43,024)	(43,024)
Total Nonoperating Revenues (Expenses)	<u>9,562</u>	<u>(31,794)</u>	<u>(22,232)</u>
Change in Net Assets	266,811	68,101	334,912
Net Assets, Beginning of Year	<u>808,521</u>	<u>618,298</u>	<u>1,426,819</u>
Net Assets, End of Year	<u><u>\$ 1,075,332</u></u>	<u><u>\$ 686,399</u></u>	<u><u>\$ 1,761,731</u></u>

See accompanying notes to basic financial statements.

VILLAGE OF MUIR
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2007

	Sewer Enterprise	Water Enterprise	Total
Cash Flows From Operating Activities			
Receipts from customers and grantors	\$ 360,379	\$ 235,262	\$ 595,641
Payments to suppliers for goods and services	(52,526)	(75,895)	(128,421)
Net Cash Provided By Operating Activities	<u>307,853</u>	<u>159,367</u>	<u>467,220</u>
Cash Flows From Capital and Related Financing Activities			
Interest paid on bonds	-	(43,024)	(43,024)
Principal payment on bonds	-	(90,000)	(90,000)
Collection on note receivable	-	15,705	15,705
Payment on due to General Fund	-	(26,698)	(26,698)
Acquisition of capital assets	(379,586)	-	(379,586)
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(379,586)</u>	<u>(144,017)</u>	<u>(523,603)</u>
Cash Flows From Investing Activities			
Purchase of investments	-	(22,984)	(22,984)
Sale of investments	31,527	-	31,527
Interest received	9,562	11,230	20,792
Net Cash Provided (Used) By By Investing Activities	<u>41,089</u>	<u>(11,754)</u>	<u>29,335</u>
Net Increase (Decrease) In Cash and Cash Equivalents	(30,644)	3,596	(27,048)
Cash and Cash Equivalents, beginning of year	<u>52,169</u>	<u>134,193</u>	<u>186,362</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 21,525</u></u>	<u><u>\$ 137,789</u></u>	<u><u>\$ 159,314</u></u>

Cash and cash equivalents are captioned on the Statement of Net Assets as follows:

Cash equivalents, deposits and investments	\$ 21,525	\$ 26,660	\$ 48,185
Restricted cash equivalents, deposits and investments	<u>-</u>	<u>111,129</u>	<u>111,129</u>
	<u><u>\$ 21,525</u></u>	<u><u>\$ 137,789</u></u>	<u><u>\$ 159,314</u></u>

See accompanying notes to basic financial statements.

VILLAGE OF MUIR
Statement of Cash Flows
Proprietary Funds (Continued)
For the year ended June 30, 2007

**Reconciliation of Operating Income To Net Cash
Provided By Operating Activities**

Operating income	<u>\$ 257,249</u>	<u>\$ 99,895</u>	<u>\$ 357,144</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	48,709	58,177	106,886
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	1,258	6,695	7,953
Increase (decrease) in accounts payable	-	(5,400)	(5,400)
Increase (decrease) in due to other governmental units	<u>637</u>	<u>-</u>	<u>637</u>
Total adjustments	<u>50,604</u>	<u>59,472</u>	<u>110,076</u>
Net Cash Provided By Operating Activities	<u><u>\$ 307,853</u></u>	<u><u>\$ 159,367</u></u>	<u><u>\$ 467,220</u></u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2007

Note A – Summary of Significant Accounting Policies

The Village of Muir, Michigan was organized as a general law village under applicable laws of the State of Michigan and was incorporated as a village in 1856, under provisions of Act 359, Public Acts of 1947, as amended by the Public Acts of 1976. The Village is governed by a Council which consists of a President, Clerk, Treasurer and six Council members. The Village provides, or contributes to the providing of the following services to its residents as provided by statute: public safety (fire), highways and streets, sewer and water, parks and recreation, public improvements, planning and zoning, general administrative and other services.

The financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to local units of government. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the Village's accounting policies are described below.

1. Reporting Entity

The financial reporting entity consists of a primary government and its component units. The Village is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the Village for financial statement presentation purposes, and the Village is not included in any other governmental reporting entity. Consequently, the Village's financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

2. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) present financial information about the Village as a whole. The reported information includes all of the nonfiduciary activities of the Village. The Village does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the Village. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets is presented on the classified basis and is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The Village's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, state revenue sharing, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2007

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

The Village reports the following major governmental funds:

The *General Fund* is the Village's primary operating fund. It accounts for all financial resources of the general government except those that are required to be accounted for in another fund.

The *Major Streets Fund* accounts for the financial resources of the general government that provide repairs and improvements to major streets in the Village.

The Village reports the following major proprietary funds:

The *Sewer Enterprise Fund* accounts for the operations of the Village's sewer department that provides sewer services to residents of the Village on a user charge basis.

The *Water Enterprise Fund* accounts for the operations of the Village's water department that provides water services to residents of the Village on a user charge basis.

Additionally, the Village reports the following fund:

The *Local Streets Fund* accounts for the financial resources of the general government that provide repairs and improvements to local streets in the Village.

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2007

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the government-wide level. Reconciliations between the two sets of statements are provided in separate statements.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days after the end of the current fiscal year. Taxes, intergovernmental revenues and interest associated with current year are all considered to susceptible to accrual and have been recognized as revenues of the current fiscal year. Property taxes levied for the subsequent fiscal year are presented as deferred revenue at fiscal year end.

Expenditures are recorded when the liability is incurred, as under accrual accounting, if they are paid within 60 days after the end of the current fiscal year. The exception to this general rule is that principal and interest on long-term debt and claims and judgments are recorded only when the payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise fund are charges for services. Operating expenses for the enterprise fund include wages, benefits, supplies, utilities, charges for services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported a nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted as they are needed.

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2007

4. Budgets and Budgetary Accounting

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The General and Special Revenue Funds are subject to legal budgetary accounting controls and are budgeted annually. The Village utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- The budgets are generated with input from the Village Council.
- The completed budgets are then presented to Village electors at a public budget hearing at which time taxpayer comments and recommendations are heard. These operating budgets include proposed expenditures and the means of financing them for the General Fund and Special Revenue Funds.
- The budgets may only be amended by action of the Village Council.
- Budget appropriations lapse at fiscal year-end.
- Encumbrance accounting is not utilized.
- The original General and Special Revenue Funds budgets were not amended during the year.
- The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level for each individual fund.

5. Investments

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

6. Restricted Assets

Certain proceeds of the Village bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable bond covenants.

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2007

7. Capital Assets

Capital assets, which include property, plant and equipment, vehicles and construction in process, are reported in the government-wide financial statements. Capital assets are also presented in the proprietary fund statements. Assets having a useful life in excess of one year and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation. Infrastructure assets, including roads and bridges, are included.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Depreciation on the capital assets of the primary government is computed using the straight-line method over the following estimated useful lives:

Building and structures	40 years
Sanitary sewer system	40 years
Water supply system	40 years
Trucks and vehicles	5 years
Machinery and equipment	7 – 20 years
Furniture and equipment	5 – 10 years
Infrastructure	10 years

8. Property Taxes

Property taxes for the Village are attached as an enforceable lien on property as of July 1 of each year. The July 1 levy is intended to fund expenditures of the current fiscal year. Taxes are levied July and are due without penalty on or before September 15. Real property taxes not collected are returned to Ionia County for collection, which advances one hundred percent of the delinquent taxes to the Village. The collection of delinquent personal property taxes remains the responsibility of the Village Treasurer.

9. Long-Term Obligations

In the government-wide and proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statements of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2007

10. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations from other governments.

11. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Proprietary funds report restricted net assets equal to restricted assets less related liabilities.

12. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as transfers in or out. Transfers between governmental funds are eliminated in the Statement of Activities. Transfers in the fund financial statements are reported as other financing sources/uses.

The General Fund records all payroll costs and then charges these costs back to the Sewer Enterprise, Water Enterprise, Major Streets and Local Streets Funds. The General Fund records these amounts as reimbursement revenue.

13. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

14. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2007, the Village carried commercial insurance to cover other risks of loss. The Village has had no settled claims resulting from these risks that exceeded their coverage in any of the past three fiscal years. There was no significant change in coverage during the year ended June 30, 2007.

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2007

Note B – Cash Equivalents, Deposits and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a Village in Michigan.
- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a Village in Michigan.

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2007

Balances at June 30, 2007 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

Cash equivalents, deposits and investments per the Statement of Net Assets:

Primary government:	
Unrestricted	\$ 573,051
Restricted	228,860
	<hr/>
	\$ 801,911
	<hr/> <hr/>

Cash Equivalents and Deposits

Cash equivalents consist of bank public funds checking, savings and money market accounts. Deposits consist of certificates of deposit.

Depositories actively used by the Village during the year are detailed as follows:

1. Independent Bank
2. Union Bank

June 30, 2007 balances are detailed as follows:

	Primary Government
	<hr/>
Cash equivalents	\$ 267,183
Deposits	365,709
	<hr/>
	\$ 632,892
	<hr/> <hr/>

Custodial credit risk

Custodial credit risk is the risk that in the event of bank failure, the Village's deposits may not be returned to the Village. Protection of Village cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the Village's cash equivalents and deposits was \$632,892 and the bank balance was \$639,659. Of the bank balance, \$180,702 was covered by federal depository insurance and \$458,957 was uninsured and uncollateralized.

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2007

Investments

Investments consist of money market accounts held in a financial services account.

As of June 30, 2007 the Village had the following investments in their portfolio:

	<u>Primary Government</u>
Primevest Financial Services	<u><u>\$ 169,019</u></u>

Concentration of Credit Risk

The Village minimizes concentration of credit risk, which is the risk of loss attributed to the magnitude of the Village's investment in a single issuer, through its diversification policy which states the objective of the Village is to protect principal by diversifying its cash management portfolio to the extent practical and within sound business practices.

Note C – Interfund Receivables/Payables and Transfers

Amounts due to/from other funds representing interfund receivable and payable balances at June 30, 2007 are as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Water Enterprise Fund	\$ 7,281	
Water Enterprise Fund:		
General Fund		\$ 7,281

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2007

Note D – Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balance July 1, 2006	Additions	Retirements	Balance June 30, 2007
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 25,750	\$ -	\$ -	\$ 25,750
Capital assets, being depreciated:				
Buildings and improvements	47,250	-	-	47,250
Machinery and equipment	361,600		-	361,600
Office equipment and furniture	11,800		-	11,800
Infrastructure	-	19,383	-	19,383
	<u>446,400</u>	<u>\$ 19,383</u>	<u>\$ -</u>	<u>465,783</u>
Total capital assets				
	<u>446,400</u>	<u>\$ 19,383</u>	<u>\$ -</u>	<u>465,783</u>
Less accumulated depreciation for:				
Buildings and improvements	20,389	\$ 1,106	\$ -	21,495
Machinery and equipment	149,580	13,647	-	163,227
Office equipment and furniture	7,323	965	-	8,288
Infrastructure	-	323	-	323
	<u>177,292</u>	<u>\$ 16,041</u>	<u>\$ -</u>	<u>193,333</u>
Total accumulated depreciation				
	<u>177,292</u>	<u>\$ 16,041</u>	<u>\$ -</u>	<u>193,333</u>
Net Capital Assets - Governmental Activities	<u>\$ 269,108</u>			<u>\$ 272,450</u>

Depreciation expense was charged to Village governmental activities as follows:

Public works	<u>12,884</u>
	<u>\$ 16,041</u>

Business-type activities

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2007

	Balance July 1, 2006	Additions	Retirements	Balance June 30, 2007
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 58,500	\$ -	\$ -	\$ 58,500
Capital assets, being depreciated:				
Sewer system	522,971	-	-	522,971
Treatment facility	749,930	379,586	-	1,129,516
Water system	2,205,050	-	-	2,205,050
Improvements	44,770	-	-	44,770
Total capital assets	<u>3,581,221</u>	<u>\$ 379,586</u>	<u>\$ -</u>	<u>3,960,807</u>
Less accumulated depreciation for:				
Sewer system	421,644	\$ 13,074	\$ -	434,718
Treatment facility	405,063	35,635	-	440,698
Water system	234,154	55,127	-	289,281
Improvements	41,465	3,050	-	44,515
Total accumulated depreciation	<u>1,102,326</u>	<u>\$ 106,886</u>	<u>\$ -</u>	<u>1,209,212</u>
Net Capital Assets - Business Activities	<u>\$ 2,478,895</u>			<u>\$ 2,751,595</u>

Depreciation expense was charged to Village business-type activities as follows:

Sewer operating	\$ 48,709
Water operating	<u>58,177</u>
	<u>\$ 106,886</u>

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2007

Note E – Long-Term Debt

The following is a summary of long-term debt transactions for the year ended June 30, 2007:

	Debt Outstanding July 1, 2006	Debt Added	Debt Retired	Debt Outstanding June 30, 2007
Business-type Activities				
Bond issues:				
Water system:				
September 28, 2001	\$ 1,555,000	\$ -	\$ 80,000	\$ 1,475,000
December 20, 2001	165,979	-	10,000	155,979
Total Business-type Activities	<u>\$ 1,720,979</u>	<u>\$ -</u>	<u>\$ 90,000</u>	<u>\$ 1,630,979</u>

Long-term bonds at June 30, 2006 are comprised of the following:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
Business-type Activities				
Water system:				
\$1,850M September 28, 2001				
Principal maturities of \$75M to \$115M	April 1, 2022	2.50	\$ 1,475,000	\$ 80,000
\$340M December 20, 2001:				
Principal maturities of \$10M to \$15M	April 1, 2022	2.50	155,979	10,000
Total Business-type Activities			<u>\$ 1,630,979</u>	<u>\$ 90,000</u>

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2007

The annual requirements to pay principal and interest on long-term debt outstanding at June 30, 2007 for the Water Enterprise Fund are as follows:

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 90,000	\$ 40,776	\$ 130,776
2009	95,000	38,526	133,526
2010	95,000	36,150	131,150
2011	100,000	33,776	133,776
2012	100,000	31,274	131,274
2013	105,000	28,776	133,776
2014	105,000	26,150	131,150
2015	110,000	23,526	133,526
2016	110,000	20,774	130,774
2017	110,000	18,026	128,026
2018	115,000	15,276	130,276
2019	120,000	12,400	132,400
2020	120,000	9,398	129,398
2021	130,000	6,400	136,400
2022	125,979	3,150	129,129
	<u>\$ 1,630,979</u>	<u>\$ 344,378</u>	<u>\$ 1,975,357</u>

Note F – Retirement Plan

The Village of Muir provides retirement benefits to its employees through participation in the Michigan Municipal Employees Retirement System, a defined benefit multiple employer public employee retirement system that acts as a common investment and administrative agent for governmental units in the State of Michigan.

All full-time employees are eligible to participate in the Plan. Participants with 25 years of service may begin drawing out benefits at 50 years of age; those with 15 years of service, at age 55; and those with 10 years of service, at age 60.

Village employees are required to contribute 2.0% of their annual salaries to the Plan. The Village is required to contribute the amounts necessary to fund the Plan, using level percent of payroll funding principles.

The benefits of the Plan are determined by taking the member's five-year final average compensation multiplied by the percentage elected by the Village based on benefits chosen.

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2007

Components of the pension benefit obligation at December 31, 2006 are as follows:

Accumulated employee contributions, including investment income:	
Retirees	\$ 244,816
Current employees	26,961
Employer financed – vested	<u>157,766</u>
Total pension benefit obligation	429,543
Plan assets at cost (at market: \$247,933)	<u>244,513</u>
Unfunded pension benefit obligation at December 31, 2006	<u><u>\$ 185,030</u></u>

The rate of return on the investment of present and future assets was assumed to be 8.0% per year compounded annually.

Contributions to the plan for the year ended June 30, 2007 were \$12,894. The annual required contribution is \$13,956 for the fiscal year beginning July 1, 2007.

Note G – Stewardship, Compliance and Accountability

P.A. 621 of 1978 Section 18(1), as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.

During the fiscal year reported in the accompanying financial statements, the Village incurred expenditures in excess of the amounts appropriated as follows:

Fund	Budget	Actual	Unfavorable Variance
General Fund	\$ 322,950	\$ 350,634	\$ 27,684
Major Streets Fund	38,400	47,453	9,053
Local Streets Fund	22,200	45,043	22,843

SUPPLEMENTAL INFORMATION

VILLAGE OF MUIR
General Fund
Schedule of Revenues
For the year ended June 30, 2007

Taxes:	
Current property taxes	\$ 85,948
Delinquent property taxes	15,192
Total taxes	<u>101,140</u>
State sources:	
Sales taxes	71,782
Intergovernmental sources:	
Reimbursement revenue	131,476
Charges for services:	
Cemetery	4,320
Interest:	
Interest on deposits and investments	11,961
Other revenue:	
Expense reimbursements	501
Donations	4,659
Other revenue	6,108
Total other revenue	<u>11,268</u>
Total Revenues	<u><u>\$ 331,947</u></u>

VILLAGE OF MUIR
General Fund
Schedule of Expenditures
For the year ended June 30, 2007

Current:

General government:

Village council	\$ 9,510
General administration	111,111
Buildings and grounds	186,729
Legal and audit	6,720
Cemetery	400
Total general government	<u>314,470</u>

Public safety:

Fire department	14,909
Ambulance	2,859
Total public safety	<u>17,768</u>

Recreation and cultural:

Parks and recreation	3,675
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Other:

Insurance and bonds	<u>14,721</u>
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Total Expenditures	<u><u>\$ 350,634</u></u>
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OTHER INFORMATION

VILLAGE OF MUIR
Schedule of Indebtedness
June 30, 2007

<u>Debt</u>	<u>Year Ended June 30</u>	<u>Interest Rate(%)</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	<u>Total</u>
2001 Water Revenue Bonds			<u>April 1</u>	<u>October 1</u>	<u>April 1</u>	
	2008	2.05	\$ 80,000	\$ 18,438	\$ 18,438	\$ 116,876
	2009	2.30	85,000	17,438	17,438	119,876
	2010	3.00	85,000	16,375	16,375	117,750
	2011	3.00	90,000	15,313	15,313	120,626
	2012	3.00	90,000	14,188	14,188	118,376
	2013	3.00	95,000	13,063	13,063	121,126
	2014	3.15	95,000	11,875	11,875	118,750
	2015	3.25	100,000	10,688	10,688	121,376
	2016	3.35	100,000	9,438	9,438	118,876
	2017	3.50	100,000	8,188	8,188	116,376
	2018	3.60	105,000	6,938	6,938	118,876
	2019	3.70	110,000	5,625	5,625	121,250
	2020	3.80	110,000	4,250	4,250	118,500
	2021	4.00	115,000	2,875	2,875	120,750
	2022	4.00	115,000	1,438	1,438	117,876
			<u>1,475,000</u>	<u>156,130</u>	<u>156,130</u>	<u>1,787,260</u>
2001 Water Revenue Bonds			<u>April 1</u>	<u>October 1</u>	<u>April 1</u>	
	2008	2.05	\$ 10,000	\$ 1,950	\$ 1,950	\$ 13,900
	2009	2.30	10,000	1,825	1,825	13,650
	2010	3.00	10,000	1,700	1,700	13,400
	2011	3.00	10,000	1,575	1,575	13,150
	2012	3.00	10,000	1,449	1,449	12,898
	2013	3.00	10,000	1,325	1,325	12,650
	2014	3.15	10,000	1,200	1,200	12,400
	2015	3.25	10,000	1,075	1,075	12,150
	2016	3.35	10,000	949	949	11,898
	2017	3.50	10,000	825	825	11,650
	2018	3.60	10,000	700	700	11,400
	2019	3.70	10,000	575	575	11,150
	2020	3.80	10,000	449	449	10,898
	2021	4.00	15,000	325	325	15,650
	2022	4.00	10,979	137	137	11,253
			<u>155,979</u>	<u>16,059</u>	<u>16,059</u>	<u>188,097</u>
Total Water Enterprise Fund			<u>\$ 1,630,979</u>	<u>\$ 172,189</u>	<u>\$ 172,189</u>	<u>\$ 1,975,357</u>

VILLAGE OF MUIR
Sanitary Sewer System
Combining Schedule of Disbursements
For the year ended June 30, 2007

	Collection System	Treatment Facility	Totals
Disbursements			
Labor	\$ 11,456	\$ 16,836	\$ 28,292
Clerical wages	4,259	1,419	5,678
Insurance	134	45	179
Legal and professional	2,500	2,500	5,000
Miscellaneous	751	-	751
Office expense	1,176	392	1,568
Rentals - sewer treatment	1,822	5,379	7,201
Repairs and maintenance	387	233	620
Samples	-	734	734
Schools and seminars	613	-	613
Treasurer's wages	1,390	-	1,390
Utilities	500	-	500
Total Disbursements	\$ 24,988	\$ 27,538	\$ 52,526

Hungerford, Aldrin,
Nichols & Carter, P.C.

C P A S AND C O N S U L T A N T S

September 24, 2007

The Village Council
Village of Muir
Muir, Michigan

The following comments pertain to our audit of the financial records of Village of Muir as of and for the year ended June 30, 2007. The comments are made in accordance with Statement on Auditing Standards No. 61 "Communication With Audit Committees" which requires that in certain audits, certain matters are to be communicated to those who have responsibility for oversight of the financial reporting process. The communications required by this Statement, if pertinent to the examination, are as follows:

1. Auditor's Responsibility Under Generally Accepted Auditing Standards.
2. Significant Accounting Policies.
3. Management Judgments and Accounting Estimates.
4. Significant Audit Adjustments.
5. Other Information in Documents Containing Audited Financial Statements.
6. Disagreements With Management.
7. Consultation With Other Accountants.
8. Major Issues Discussed With Management Prior to Retention.
9. Difficulties Encountered in Performing the Audit.
10. Uncorrected Misstatements (Passed Audit Adjustments).

The communications specified by this Statement are incidental to the audit and are not required to occur before, nor do they affect, our auditor's report on the Village's financial statements.

The following are the matters to be communicated by SAS No. 61 based on our observations during the course of our audit of the financial statements and our review and evaluation of the internal control system of Village of Muir.

Auditors Responsibility Under Generally Accepted Auditing Standards

We conducted our audit in accordance with Generally Accepted Auditing Standards (GAAS). Those standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. We are required by GAAS to obtain a sufficient understanding of the internal control structure to plan the audit and to determine the nature, timing and extent of tests to be performed. The purpose of the audit was to report on the financial statements and not to provide assurance on the internal control structure. Because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected.

Significant Accounting Policies

The elected officials and management of Village of Muir have the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter will advise the Village elected officials and management about the appropriateness of accounting policies and their application. The significant accounting policies used by Village of Muir are described in Note A of the Notes to Basic Financial Statements in the Comprehensive Annual Financial Report.

Difficulties Encountered In Performing The Audit

We encountered no significant difficulties in performing our audit of the financial records of Village of Muir. We did, however, find several areas in which the internal control structure and accounting system of the Village was not adequate nor operating in the manner intended that we have addressed below in this letter, and also in a separate letter issued to the Township under the new requirements of Statement of Auditing Standards No. 112 *“Communicating Internal Control Related Matters Identified in an Audit”*.

Significant Audit Adjustments

During the course of our audit the following adjustments of a significant nature were made to the accounting records of the Village to bring the balances to those presented in the financial statements.

General Fund

1. \$26,698 to correct the classification of payments on the receivable from the Water Fund.
2. \$29,121 to accrue the current year-end accounts payable for General Fund, Major Streets Fund and Local Streets Fund.

Water Enterprise Fund

3. \$90,000 to reclassify bond principal payments against the bonds payable accounts for the Water Enterprise Fund.

4. \$58,177 to record depreciation expense for the year for the water supply system.

Sewer Enterprise Fund

5. \$426,824 to record the activity in the sewer project account for the year.
6. \$48,709 to record depreciation expense for the year for the sanitary sewer system.

Passed Audit Adjustments

There were no adjustments proposed during the audit that were not recorded by Village of Muir.

Suggestions and Recommendations

We offered suggestions and recommendations of a minor nature regarding the day-to-day operations of the accounting system to the Village Clerk and Treasurer as the topics arose during the course of our audit field work. Hopefully, these suggestions will ease the day-to-day operations of the Village's business office and assist in more efficient monthly and year end financial record keeping and reporting. Other suggestions and recommendations that merit discussion in this letter are as follows:

- The General Fund, Major Streets Fund, and Local Streets Fund budgets should be reviewed throughout the year as situations change with revenue and expenditure items. These budgets should be amended as needed to reflect the actual anticipated revenue and expenditure of the Village for the year.
- Public Act 621 provides that a local unit shall not incur expenditures in excess of the amount appropriated. The Village expenditures for the General Fund, Major Streets and Local Streets Funds exceeded the budgeted amounts in each of the last two fiscal years. We recommend that the Village review the budget to actual expenses on a monthly basis and amend the budget as needed throughout the year.
- The Village should continue to make daily backups of the computer system and maintain these backups off-site. We recommend that the Village also back up data at month end and year end and maintain these off-site. The clerk and treasurer should rotate their memory sticks so that both the general ledger and the billing system are backed up on both memory sticks in case one should fail.
- The Village has a balance due to the Village of Lyons for shared costs of the sewer system as follows:

Balance due to Village of Lyons –June 30, 2006	(\$699)
Treatment costs (49.62% of \$27,538)	13,664
Payments received from Lyons	<u>(14,301)</u>
Balance due to Village of Lyons –June 30, 2007	<u><u>(\$1,336)</u></u>

Village of Muir
September 24, 2007
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This communication is intended solely for the information and use of the Village Council, officers, administration and others within the organization. We have furnished a copy of this letter to the Michigan Department of Treasury as an enclosure with the audit report as required by the State of Michigan.

We appreciate the opportunity to provide financial auditing and advisory services to Village of Muir and hope to continue to do so in the future. We also appreciate the dedication and cooperation of Village of Muir Clerk and Treasurer in performing their functions and in assisting us in completing ours. If there are any questions regarding the audit report, or the attached communication, we will be happy to address them.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants

Hungerford, Aldrin,
Nichols & Carter, P.C.

CPAs AND CONSULTANTS

September 13, 2007

The Village Council
Village of Muir
Muir, Michigan

The following comments pertain to our audit of the financial records of Village of Muir as of and for the year ended June 30, 2007. The comments are made in accordance with Statement on Auditing Standards No. 112 "*Communicating Internal Control Related Matters Identified in an Audit*" which has the following two unconditional requirements:

- The auditor must evaluate identified *control deficiencies* and determine whether those deficiencies, individually or in combination, are *significant deficiencies* or *material weaknesses*.
- The auditor *must communicate, in writing, significant deficiencies and material weaknesses* to management and those charged with governance. This communication includes significant deficiencies and material weaknesses identified and communicated to management and those charged with governance in prior audits but not yet remediated.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is *more than a remote likelihood* that a misstatement of the entity's financial statements that is *more than inconsequential* will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in *more than a remote likelihood* that a *material misstatement of the financial statements* will not be prevented or detected by the entity's internal control.

The following describe circumstances that may be control deficiencies, significant deficiencies, or material weaknesses:

- Inadequate *design* of internal control over a significant account or process.
- Inadequate *documentation* of the components of internal control.
- Insufficient *control consciousness* within the organization, for example, the tone at the top and the control environment.
- Inadequate or absent *segregation of duties* within a significant account or process.
- Inadequate design of *information technology* (IT) general and application controls.
- Inadequate design of *monitoring* controls used to assess the design and operating effectiveness of internal controls.
- The absence of an internal process to *report deficiencies* in internal controls to management on a timely basis.
- Employees or management who *lack the qualifications and training* to fulfill their assigned functions. For example, in an entity that prepares financial statements in accordance with Generally Accepted Accounting Principles (GAAP), the person responsible for the accounting and reporting function lacks the skills and knowledge to apply (GAAP) in recording the entity's financial transactions or *preparing its financial statements* (including the notes to basic financial statements).

The management of Village of Muir is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

In planning and performing our audit of the financial statements of Village of Muir as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Village of Muir's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

- Employees or management who lack the qualifications and training to fulfill certain assigned functions; specifically, the lack of knowledge and skills present to apply Generally Accepted Accounting Principles (GAAP) in preparing the Village's financial statements (including the notes to basic financial statements).

This communication is intended solely for the information and use of management, the Village Council, others within the organization, and the State of Michigan. It is not intended to be and should not be used by anyone other than these specified parties.

Hungerford, Aldrin, Nichols & Benton, P.C.

Certified Public Accountants